

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## **MEMBERS OF THE COUNCIL OF MAQUASSI HILLS LOCAL MUNICIPALITY**

### **Mayor**

Councillor: T.K Lehloo

### **Speaker:**

Councillor: G.V Kgabi

### **Members of the Council:**

Councillor: D.S Moshoele

Councillor: G.J van Zyl

Councillor: O.S Duffy

Councillor: M.D Matete

Councillor: M.M.E Mogoye

Councillor: K.P Kgositsoi

Councillor: P.M Mokoena

Councillor: R.I Tlali

Councillor: S.G Maruping

Councillor: N.E Cindi

Councillor: C van Vuuren

Councillor: G.S Olifant

Councillor: Z.M Moweli

Councillor: T.S Selete

### **Auditors:**

Office of the Auditor-General

North West Province

Potchefstroom Offices

### **Bankers:**

ABSA Bank Limited

Wolmaransstad

**Municipal Manager:**

Mr E.T. Motsemme

MA in Management and Development

Hons BA

**Chief Financial Officer:**

Mr C. Wenum

National Diploma: Cost and Management Accounting

**APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements set out on pages \_\_\_\_\_ to \_\_\_\_\_ were approved by the Accounting Officer on 20 March 2009 in terms of Section 126(1) of the Municipal Finance Management Act, Act No. 56 of 2003 and hereby submit these financial statements to the Office of the Auditor-General for auditing.

**MUNICIPAL MANAGER**  
**L. RALEKGETHO**

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**CHIEF FINANCIAL OFFICER**  
**C. WENUM**



# REPORT OF AUDITOR-GENERAL TO THE COUNCIL AND THE NORTH WEST PROVINCIAL LEGISLATURE

## **REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL AND THE NORTH WEST PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MAQUASSI HILLS LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Introduction**

1. I was engaged to audit the accompanying financial statements of the Maquassi Hills Local Municipality which comprise the balance sheet as at 30 June 2007, income statement, the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the accounting officer's report, as set out on pages xx to xx.

#### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity specific basis of accounting set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies

- making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### **Basis of accounting**

4. The municipal policy is to prepare financial statements on the entity specific basis of accounting as set out in accounting policy 1.

#### **Basis for disclaimer of opinion**

##### **5. Opening balances**

An adverse audit opinion was issued in the prior year. During the year under review, management did not implement corrective measures on the qualifications reported. As a result I am unable to verify the opening balances other than agreeing them to the prior year financial statements.

##### **6. Property, plant and equipment**

I was unable to determine the rights and obligations, completeness, existence, valuation and allocation of property, plant and equipment of R5 353 287 disclosed in the balance sheet due to the following:

- (a) Selected assets could not be traced to and from the asset register due to inadequate information, whilst certain supporting documentation could not be submitted for audit. Consequently I did not obtain sufficient, appropriate audit evidence to determine the completeness, existence, valuation and allocation and rights and obligations of property, plant and equipment.
- (b) Leases of R509 358 that were incorrectly classified as operating leases instead of finance leases, resulting in their incorrect accounting in the financial statements.

## 7. Statutory and Trust funds

- (a) Statutory and Trust funds were not disclosed on the entity specific basis of accounting as set out in accounting policy note 1. The entity's accounting records did not permit the performance of alternative procedures. Consequently I was unable to determine the classification, accuracy, completeness, rights and obligations and disclosure of statutory funds of R22 682 334 and trust funds of R9 578 979 disclosed in the balance sheet.
- (b) Notwithstanding previous Audit Reports and contrary to section 5(1)(a) of the Local Authorities Capital Development Fund Ordinance, No. 9 of 1978, the compulsory 1% contribution of R863 318 was again not made to the Capital Development Fund during the current year. The total understatement of this fund as at 30 June 2007 is now R2 362 715.
- (c) The Land Trust Fund accounts had debit balances of R77 738 at year-end and showed no movement for the year under review;
- (d) I was unable to obtain supporting documentation for the

movements made to the Capital Development Fund "adjustments" of R303 286. Due to the lack of supporting documentation, explanations and the issues noted in the paragraphs above I was unable to reliably determine the misstatement in funds and reserves and equity.

## 8. Long term debtors

Included in long term debtors of R1 078 121 disclosed in note 7 to the financial statements is an amount of R728 430 which relates to the prior 50/50 housing scheme. There had been no material movement during the year under review raising doubt as to existence and recoverability of this long term debtor. Furthermore, supporting documentation for this debtor could not be submitted for audit, resulting in a limitation of scope on the audit. Consequently I did not obtain sufficient, appropriate audit evidence to determine the completeness, accuracy, rights and obligations and existence of long term debtors disclosed in the balance sheet.

## 9. Consumer deposits

I was unable to obtain supporting documentation and explanations for consumer deposits of R1 011 906 disclosed as a "Correction of balances" in note 4 to the financial statements. Consequently I did not obtain sufficient, appropriate audit evidence to determine the completeness, existence and rights and obligations of consumer deposits of R2 133 985 disclosed in the balance sheet.

## 10. Debtors

I was unable to obtain sufficient appropriate audit evidence to determine the completeness, existence, rights and obligations of debtors of R48 858 975 disclosed in the balance sheet due to the following:



- (a) The consumer debtors balance disclosed in note 9 to the financial statements differed with R565 564 from the age analysis at year-end.
- (b) The debtor's age analysis contained a total of 6 141 consumer debtors, which is substantially less than the 14 825 stands included in the valuation roll.
- © The provision for bad debts disclosed in note 9 to the financial statements amounts to R25 793 238, whilst debtors outstanding for a period longer than 60 days at year-end amounted to R53 988 919. The provision is thus understated by at least R28 195 681.
- (d) Outstanding debt of R251 441 owed by councillors, separately disclosed in note 36 to the financial statements, resulted in debtors being understated by R251 441.

## 11. Creditors

I was unable to obtain sufficient, appropriate audit evidence to determine the completeness, accuracy, rights and obligations and existence of creditors of R41 050 662 disclosed in the balance sheet due to the following:

- (a) Reconciliations between the creditor balances per the accounting system and third party supplier statements had not been performed throughout the year. Furthermore, adequate controls did not exist to ensure that all creditors were correctly and accurately accounted for in the accounting system. As a result, the following discrepancies were noted:
  - Creditors' statements differed from the financial statements by R175 644.
  - Invoices amounting to R45 819 could not be submitted for audit purposes.

- (b) Suspense creditors of R523 304 relating to unallocated receipts have been unallocated for an extended period.

## 12. Provision for leave

The accumulated leave of R3 699 318 for the prior and current year have been incorrectly disclosed as a contingent liability in note 23 to the financial statements. The provision for leave of R340 611 disclosed in note 10 to the financial statements is therefore understated by R3 358 707.

## 13. Revenue

- (a) I was unable to obtain sufficient, appropriate audit evidence to verify the completeness and accuracy of assessment rates income of R8 343 523 disclosed in note 12 to the financial statements, as the valuation roll could not be relied upon for the following reasons:
  - Transferred properties was not documented as such in the valuation roll;
  - There were no amounts disclosed on the improved properties for the year under review;
  - A total of 1 780 stands were not included in the valuation roll reconciliation;
  - The debtors age analysis contained 6 141 rate-payers, which is substantially less than the 14 825 stands included in the valuation roll.
- (b) Revenue and expenditure were both understated by R2 292 154 due to the incorrect set-off against income of the expenditure relating to the administration of the traffic management system.
- © I was unable to obtain sufficient, appropriate audit evidence regarding the basis used for calculating service estimates on faulty meters.

## **Disclaimer of opinion**

14. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Maquassi Hills Local Municipality. Accordingly, I do not express an opinion on the financial statements.

## **Emphasis of matters**

I draw attention to the following matters:

15. Going concern

The following matters raised doubt as to the municipality's ability to continue as a going concern:

- (a) The municipality's average debtor's collection period was 504 days (281 days in 2005/2006). This indicated that the municipality did not rigorously enforce credit control and debt collection processes.
- (b) The municipality's financial statements reflect a net current asset balance of R26 857 995 at year-end, which includes debtors older than 90 days of R53 988 919 and a bad debt provision of only R25 793 238. If the under provision of R28 195 681 is deducted, the net current assets are negative by R1 337 686.
- © Consumer debtors increased by R13 188 524 (30%) from the prior year.
- (d) Creditors increased by R14 678 278 (150%) from the prior year.

16. **Basis of accounting (departures and deviations)**

Accounting policy 4 determines that inventory should be valued at the lower of cost, determined on the weighted average or the net realisable value. The valuation method used in determining the inventory was

however done on the first-in-first-out method.

17. **Late finalisation of the audit report**

The financial statements of the municipality were submitted to me on 5 November 2007. In terms of section 126(3)(b) of the MFMA I am required to submit my report to the Municipal Manager within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented by me to ensure consistency in the manner in which material audit findings are reported I have delayed the finalisation of my report to 30 June 2008.

## **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

18. **Non-compliance with laws and regulations**

- (a) Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA)
  - Contrary to section 53(3), the Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements of the municipal manager and senior managers was not made public within 14 days after the approval of the municipality's SDBIP.
  - Contrary to section 62(1)(c)(ii), the accounting officer did not take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of internal control.
  - Contrary to section 65(2)(e), invoices were not paid within 30 days of receipt of the invoice.
  - Contrary to section 119(2) the

municipality did not provide resources or opportunity for the training of officials responsible for implementation of the supply chain management policy.

- Contrary to section 125(2)(a), The notes to the financial statements must disclose in respect of each bank account held by the municipality during the year under review: the name of the bank account, and account type.
- Contrary to section 131(1), the municipality did not address the issues raised by the Auditor-General in the previous audit report and the mayor did not ensure compliance with this section.
- Contrary to sections 165(1) and 166(1), the municipality did not have an internal audit function or audit committee.

- (b) Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA)
- Contrary to section 25, the municipality did not within 14 days of adoption of the IDP give notice to the public of the adoption of the plan.
  - Contrary to section 41, not all directors submitted their annual performance reports to the PMS Manager for consolidation into the annual performance report.
  - Contrary to section 42, regulations the community was not effectively involved in the development, implementation and review of

the PMS by means of an appropriate municipal wide structure for community participation or an appropriate forum.

- Contrary to section 44, Targets set for KPI's (Key Performance Indicators) was not made public.
- Contrary to section 83, the supply chain management policy does not detail the selection process of service providers.
- Contrary to section 97, the municipality should maintain a debt collection policy consistent with the act.

- c) Municipal Supply Chain Management Regulations of 2005 (GNR 868 of 30 May 2005)
- Compliance with sections 7, 14, and 15 could not be confirmed as oversight reports relating to supply chain management were not provided for audit purposes.

## 19. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.



Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer of opinion</b>					
Opening balances	X		X		
Property, plant and equipment	X		X		X
Statutory and Trust funds			X		
Long term debtors			X		
Consumer deposits			X		
Debtors			X		
Creditors			X		
Provision for leave			X		
Revenue			X		X
<b>Emphasis of matter</b>					
Going concern					X
Basis of accounting	X				X
<b>Other matters</b>					
Non-compliance with laws and regulations			X		X

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

20. I have audited the performance information as set out on pages xx to xx.

24. the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### Responsibility of the accounting officer for the performance information

21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

### Audit findings (performance information)

25. Non-compliance with regulatory requirements
- (a) Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA)
- Contrary to section 25, the municipality did not within 14 days give notice to the public of the adoption of the integrated development plan (IDP).
  - Contrary to section 41, all directors did not submit their annual performance reports to the PMS manager for consolidation into the annual performance report.
  - Contrary to section 42, the community was not effectively involved in the

### Responsibility of the Auditor-General

22. I conducted my engagement in accordance with section 13 of the PAA, read with General Notice 646 of 2007, issued in Government Gazette No.29919 of 25 May 2007 and section 45 of the MSA.
23. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about



development, implementation and review of the PMS by means of an appropriate municipal wide structure for community participation or an appropriate forum.

- Contrary to section 44, targets set for key performance indicators was not made public.

- (b) I was unable to determine compliance of the performance management system (PMS) with all relevant regulatory requirements due to limited documentation and explanations available.

**26. Measurable objectives not consistent**

The development priorities and objectives between the integrated development plan, budget and annual performance report were inconsistent. This was mainly due to the IDP, the budget and the annual performance report not having the same predetermined development priorities and objectives.

**27. Lack of sufficient, appropriate audit evidence**

Adequate annual and quarterly reporting on objectives could not be

found as the IDP, top layer SDBIP and the annual and quarterly reports did not agree.

**28. Evidence materially inconsistent with reported performance information**

Performance information was not easy to follow from development priority and objective to the general key performance indicator and target.

**APPRECIATION**

27. The assistance rendered by the staff of the Maquassi Hills Local Municipality during the audit is sincerely appreciated.



Rustenburg

Date



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# REPORT FROM THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2007

## INTRODUCTION

I am pleased to present a concise overview of the past financial year's operating results.

The Municipality ended the financial year with an operating deficit of R6 078 593, which, after net adjustments of R9 478 202, resulted in a accumulated surplus / (deficit) at year end to the amount of (R9 227 309)

The accumulated deficit of R5 827 700 at the beginning of the financial year plus the net deficit for the year of (R9 478 202) totals (R9 227 309) at year-end. The net

accumulated surplus at the end of the year thus stands at (R9 227 309), and the provision for bad debts at R25 793 238. Consumer service debtors increased over the financial year to R56 496 478 (R43 407 954 in 2006), an increase of R13 188 524.

## 1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2006 are as follows:

<b><u>INCOME</u></b>	Actual 2006  R	Actual 2007  R	Variance 2006/07  %	Budget 2007  R	Variance Actual/ Budget %
Opening Surplus	13 138 240	(5 827 700)			
Operating income for the year	86 331 807	85 876 624	(0.53)	169 422 109	(49.31)
	<b>99 470 047</b>	<b>80 048 925</b>		<b>169 422 109</b>	
<b><u>EXPENDITURE</u></b>					
Operating expenditure for the year	78 808 834	79 798 031	1.26	169 316 469	(2.03)
Sundry Transfers	26 488 914	9 478 202			
Closing Surplus	(5 827 700)	(15 576 837)		81 491 828	
	<b>99 470 048</b>	<b>80 048 925</b>		<b>169 422 109</b>	

## 1.2 Trading Service

The prices for the bulk purchases of electricity are subject to prescribed adjustments. The budgeted income was not

realised owing to the estimated growth in electricity consumption not materialising.

The following is a summary of the operating results of the trading services:

<i>Electricity Services</i>	Actual 2006  R	Actual 2007  R	Variance 2006/07  %	Budget 2007  R	Variance Actual/ Budget  %
Income	14 265 168	16 194 804	13.53	16 604 126	(2.5)
Expenditure	10 401 651	11 328 801	8.18	13 201 725	(14.2)
Surplus / (Deficit)	<b>3 863 517</b>	<b>4 866 003</b>	<b>20.6</b>	<b>3 402 401</b>	
Surplus / (Deficit) as % of total income	27	30			

<i>Water Services</i>	Actual 2006  R	Actual 2007  R	Variance 2006/07  %	Budget 2007  R	Variance Actual/ Budget  %
Income	16 741 320	17 494 211	4.3	21 079 644	(1.7)
Expenditure	15 066 378	14 162 741	(6)	15 417 593	(8.1)
Surplus / (Deficit)	<b>1 675 942</b>	<b>(3 331 470)</b>		<b>5 662 051</b>	
Surplus / (Deficit) as % of total income	10	19.04			

## 2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred

during the year amounted to R115 667 169, which compared with the amount spent last year on the acquisition of assets (R16 810 695), represents a 588 % increase in expenditure.

<i>Description</i>	Budget 2007 R	Actual 2006 R	Actual 2007 R
Parks and Recreation (Loans)			1 379 237
Roads and storm water (Grants)			0
Water (Grants & Loans)	7 090 710	2 691 994	21 062 558
Cemetery (SDM Grant)	1 500 000	1 357 253	
Electricity (Grants & Loans)		2 504	321 851
Other infrastructure	350 000	233 631	
Refuse (SDM Grants & Loans)	2 000 000		600 870
LED (Grants)	1 320 000		21 713
Council General (Income)	5 128 000		2 535 485
Water (Income)	3 233 060		
Electricity (Income)	900 000		
Refuse (Income)	600 000		
LED (Income)	150 000		
Sewerage (Income)	3 629 980		
Roads and stormwater (Income)	2 373 846		
Other fixed assets (Grants & Loans)		614 249	408 163
Sewerage (Grants & Loans)	50 427 772	11 811 312	89 337 292
		<b>16 810 695</b>	<b>115 667 169</b>

Resources used to finance the fixed assets were Grants & Subsidies (Municipal Infrastructure Grant), Council Income sources & External Loans. An analysis of the capital expenditure (budget and actual) per

department and classification of service is included in appendix C. More details regarding external and internal loans previously used to finance fixed assets are shown in appendix B.



### 3. EXTERNAL AND INTERNAL LOANS, INVESTMENTS AND CASH

- (a) External loans outstanding on 30 June 2007 amounted to R4 831 831 (R1 155 723 in 2006) as set out in appendix B. During the year three (3) new loans were obtained to the amount of R4 058 169 and amounts of R433 212 in respect of interest accrued on external loans and R382 061 redeemed.
- Internal loans outstanding on 30 June 2007 amounted to R824 796 (R976 256 in 2006) as set out in appendix B. During the year no new loans were obtained whilst amounts of R101 328 in respect of interest accrued on internal loans and R151 459 redeemed.
- (b) Cash on hand on 30 June 2007 amounted to R5 260 879 (R12 512 682 in 2006). The overdraft cashbook balance as on 30 June 2007 amounted to R562 964 (R3 108 235 in 2006) External investments on 30 June 2007 amounted to R14 795 553 (R6 123 469 in 2006).

### 4. FUNDS AND RESERVES

More information regarding funds is included in the notes 1 and appendix A to the financial statements.

### 5. POST BALANCE SHEET EVENTS

None

### 6. IMPROVEMENTS TO FINANCIAL ADMINISTRATION

The financial year under review saw several important improvements to the municipality's financial administration and adjustments due to prior year audit findings, and is seen as an ongoing process for Council with some major challenges.

The integration of the billing systems of

the previous four separate administrative units (municipality) into a single system has been completed and daily progress was made to solve integration problems and system errors as they came to light.

The debtors' records have been individually checked and substantially corrected, although the general ledger in respect of consumer debtors could not be reconciled to the debtor age analysis. This matter was previously reported on by the Auditor-General and with great help and effort from our side, consultants and finally by the Office of the Auditor-General, the matter could still not be resolved. All factors point in the direction that the difference was caused due to a programme error on the financial system of Council.

A full spectrum of financial policies and by-laws were adopted by the Council and a financial code was implemented to assist in general day to day functions relating to finances. This Code as referred to consist of all relevant legislation, policies and by-laws. It remains for us only to build on these achievements and effectively implement our approved policies, particularly our credit control and revenue collection programme.

A financial turn-around strategy has been embarked on with the assistance of consultants and certain information technology (IT) tools, which mainly entail the following:

- A meter and consumer audit has been performed to ensure the accuracy of the consumer database with regard to personal details as well as details regarding the water and electricity meters. Accurate information will ensure accurate billing and enhanced collection of revenue.
- Through the use of a database IT system debtors were properly categorised and zoned. This process also mends that proper debt management and credit control


measures were put in place to ensure that debt is recovered adequately and effectively. This process also identified indigents and as a result and updated indigent register exists.

- Certain important policies has been reviewed, amended and adopted by Council.
- A cash flow management system has also been put in place to ensure effective cash flow management of the Council.
- Debt Collection and Credit Control policy is integrated with the Indigent Management System and Policy.

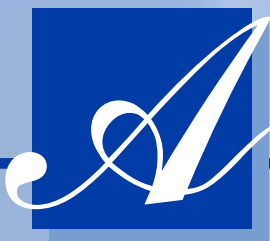
## **7. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Members of the Executive Committee, Chairperson

of the Finance Portfolio Committee, the Accounting Officer, and other Councillors and to all the staff in the Finance Directorate for their continued support and hard work during the financial year under review. Your efforts and commitment is greatly appreciated.



MR C WENUM  
CHIEF FINANCIAL OFFICER  
MAQUASSI HILLS LOCAL  
MUNICIPALITY  
31 October 2007



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 1. Basis of presentation

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition - April 1997).

Full compliance was given to Section 122(2) & (3) of the Municipal Finance Management Act, No. 56 of 2003 for annual financial statements be prepared in accordance with generally recognised accounting practice prescribed in terms of Section 91(1)(b) of the Public Finance Management Act. However as a medium capacity municipality in accordance to Government Gazette No. 300315 dated 29 June 2007, exemption was granted to prepare and present the annual financial statements of 2006/2007 and 2007/2008 financial years using the same basis of accounting applied in the 2005/2006 financial year (IMFO standards).

- 1.2 The financial statements are prepared on the historical cost basis and adjusted for fixed assets, as set out in accounting policy, note 3. The accounting policies are consistent with those applied in the previous year, except where otherwise indicated.

- 1.3 The financial statements are prepared according to the accrual basis:

- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when

received.

- Expenditure is accrued in the year it is incurred.

## 2. Consolidation

The financial statements include Rates and General Services, Housing Services and the different funds, reserves and provisions. All inter-departmental transactions are set-off against each other, with the exception of assessment rates, electricity, sewerage, refuse removal and water, which are treated as income and expenditure in the respective departments.

## 3. Fixed Assets

- 3.1 Fixed Assets are stated:

- at historical cost, or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation; while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the treasurer.

- 3.2 Depreciation:

The balance shown in the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however certain structural differences exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:



- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and it is therefore unnecessary to make any further provision for depreciation;
  - Grant and donation, where the amount representing the value of such a grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Fixed Property Sales Fund. Net proceeds from the sale of all other assets are credited either to the Special Capital Fund or the Capital Development Fund.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.
- 4. Inventory**  
Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.
- 5. Funds and reserves**
- 5.1 Capital Development Fund
- The Ordinance on Capital Development Funds, no 20 of 1974, requires that a local authority make a contribution of 1% of the total income of the year. Due to the financial constraints and budget implications, Council resolved as per approved budget for the 2006/2007 financial year that the contribution towards the Fund will be to the amount of R612 813. However with the midyear budget review and the subsequent implementation of the new accounting standards and format (GRAP) and thereafter the exemption for implementation of GRAP in accordance to Government Gazette No. 30013 dated 29 June 2007, this amount was excluded from Council's budget, therefore no contribution was made to the Fund.
- 5.2 Land Trust Fund
- In accordance to Section 79(18)(a) of the Local Government Ordinance No. 17 of 1939 income derive from property / land rental and prospecting rights in the financial year will be credited to this fund as well-as income derive from the selling of land and erven. The fund will be used for further land development
- 5.3 Leave Reserve Provisions
- A general fund is maintained to cover claims that may occur. Contributions are charged to the respective services, taking into account past claims and value of accumulated leave credit leave payable to employees.
- As at 30 June 2007 the monetary value of accumulated leave amounted to R3 669 318  
Refer to the relevant note to the financial statements for more detail on provision figures.
- Council resolved as per approved budget for the 2006/2007 financial year that the contribution towards this fund will be only be R149 621. Council took this decision based on budget and financial constrains and the contribution therefore was not in-lined with the monetary value as at year end or at any given time.
- 5.4 Bad Debts Provision
- Council resolved as per approved budget for the 2006/2007 financial year that the contribution towards bad debt will only be R1 921 810



for the financial year under review. Council took this decision based on budget and financial constraints and the contribution therefore was not in-line with debt outstanding for 90 days and older as per debtor age analysis.

Refer to the relevant note to the financial statements for more detail on debtor figures.

#### 5.5 Development Suspense Account

The development suspense accounts are utilized to fund approved specific future development within Maquassi Hills Local Municipality. Related revenue and costs are recognized as and when the property is realized.

#### 5.6 Trust Funds

Trust funds as disclosed per Appendix A to the financial statements are funds which of the money / funding was contributed, donated or bequeathed by individuals or institutions for specific use under the local authority's sole control, although the contributor usually prescribe on what such money may be spent.

### 6. Retirement Benefits

Maquassi Hills Local Municipality and its employees contribute to various municipal pension funds and the Councillors to the Councillors' Pension Fund which provides retirement benefits to such employees and Councillors.

The retirement benefit plan is subject to the Pensions Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed at least every three

years. Employees in certain cases have a choice between a pension and a gratuity benefit.

### 7. Surpluses and deficits

Any surpluses or deficits arising from the operation of electricity and water services are transferred to Rates and General Services to alleviate the tax burden of ratepayers.

### 8. Treatment of administration and other overhead expenses

The cost of internal support services is transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).

### 9. Leased assets

Fixed assets held under finance leases are capitalized. Such assets are effectively amortized over the term of the lease agreement. Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease financing utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

### 10. Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred. Investments are made in accordance with Ordinance 8 of 1962 and per circulars issued by Provincial Administration, Community Development Branch.

## **11. Deferred charges**

No deferred charges occurred during the financial year under review and therefore no accounting policy for the year under review thereon.

## **12. Income recognition**

### **12.1 Electricity and water billings**

All meters are read and billed monthly. When meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. Income is recognised on the date when the reading is completed or when the debit is raised.

### **12.2 Assessment rates**

Maquassi Hills Local Municipality do not apply a differential site rating system. Assessment rates were charged on land and improvement values. No rebates were granted during the financial year. Council property and Churches were not levied for assessment rates.

### **12.3 Other income**

Income from services like refuse removal and sewerage, which are recouped through debtors, are recognized as soon as such services are debited against the accounts. Income from smaller services licenses or monies are recognized when they are paid.

# CHAPTER 5







# ALANCE SHEET

## AS AT 30 JUNE 2007

	Note	2006 /2007 R	2005 /2006 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		22,682,334	22,055,345
Statutory funds	1	22,682,334	22,055,345
RETAINED INCOME	16	-9,227,309	-5,827,700
TRUST FUNDS	2	9,578,979	2,063,560
DEVELOPMENT SUSPENSE ACCOUNT	28	3,886,673	9,064,781
LONG-TERM LIABILITIES	3	4,038,852	953,499
CONSUMER DEPOSITS: SERVICES	4	2,133,985	976,769
		<u>33,093,514</u>	<u>29,286,254</u>
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	5	5,353,287	2,027,732
INVESTMENTS	6	26,062	24,506
LONG-TERM DEBTORS	7	856,168	486,712
NET CURRENT ASSETS		26,857,995	26,747,304
CURRENT ASSETS		69,605,212	40,258,258
Debtors	9	48,858,975	20,971,877
Inventory	8	493,916	418,000
Short-term investments	6	14,769,490	6,098,963
Long-term debtors: Short-term portion	7	221,952	256,736
Cash	21	5,260,879	12,512,682
CURRENT LIABILITIES		42,747,217	13,510,954
Provisions	10	340,611	478,111
Creditors	11	41,050,662	9,722,384
Long term liabilities : Short-term portion	3	792,979	202,224
Bank overdraft	21	562,964	3,108,235
		<u>33,093,514</u>	<u>29,286,254</u>



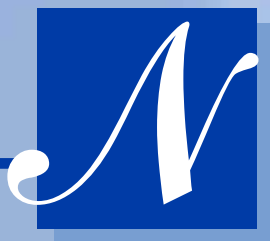


Refer to Appendix "D" and "E" for more information



# ASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2006/2007 R	2005/2006 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		12,246,246	27,286,215
Cash generated by operations	17	(8,348,626)	(22,503,973)
Investment income	15	933,429	518,896
(Increase)/decrease in working capital	18	(4,187,807)	17,394,775
		(11,603,004)	(4,590,302)
Less: Capital Charges		(1,068,060)	(187,584)
<b>Cash utilised from operations</b>		(12,671,064)	(4,777,886)
Cash contributions from public and the State		24,917,310	32,064,101
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in fixed assets		(2,543,738)	(16,810,695)
<b>NET CASH FLOW</b>		<u>9,702,508</u>	<u>10,475,520</u>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
(Decrease)/increase in long-term loans	19	3,676,108	(175,828)
(Increase)/decrease in cash investments	20	(8,672,082)	678,109
(Increase)/decrease in cash	21	(4,706,533)	-10,977,801
<b>Net cash (generated)/utilized</b>		<u>(9,702,508)</u>	<u>(10,475,520)</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>1. Statutory funds</b>		
Capital Development Fund	13,143,516	12,967,121
Land trust fund	8,871,688	8,421,093
Housing Development Fund	667,131	667,131
(Refer to appendix "A" for more details)	<u>22,682,334</u>	<u>22,055,345</u>
<b>2. Trust funds</b>		
Lebaleng 556 RDP Housing	33,415	33,415
Tsweleng LED Buildings	439,219	442,670
Library grant	92,224	108,487
National Treasury Grant	305,343	21,251
MSP Grant	949,762	741,969
LG Supporting Grant	0	249,621
Project Management Unit	393,048	393,048
Vehicle Maintenance Fund	0	-13,989
Bos kuil electricity	172,705	172,705
New Office Buildings	-356,382	-507,288
Lotto Grant Sport	22,695	421,670
DWAF	85,150	0
Project Management Unit 2	2,314,580	0
SMME's	67,174	0
MSIG and SDM 2006 / 2007	175,000	0
Disaster Management Grant	5,023,115	0
DBSA Refund Grant	0	0
IDP Grant	29,903	0
Switchgear Prison	-167,973	0
(Refer to appendix "A" for more details)	<u>9,578,979</u>	<u>2,063,560</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>3. Long-term Liabilities</b>		
Annuity loans	4,831,831	1,155,723
Less: Short term portion transferred to current liabilities	792,979	202,224
	<u>4,038,852</u>	<u>953,499</u>
(Refer to appendix "B" for more detail on long-term liabilities)		
Loans bear interest at rates of between 9.25% and 16.12% per annum and should be fully redeemed over 10 to 15 years.		
<b>4. Consumer Deposits</b>		
Electricity and water		
Balance at the beginning of the year	976,769	884,876
Correction of balances	1,011,906	0
Net of new deposits	145,310	91,892
	<u>2,133,985</u>	<u>976,769</u>
<b>5. Fixed Assets</b>		
Fixed Assets at the beginning of the year	121,135,264	105,349,873
Capital expenditure during the year	115,667,169	16,810,695
Less: Fixed Assets written off, transferred or sold	69,445	-1,025,304
<b>Total fixed assets</b>	<u>236,871,878</u>	<u>121,135,264</u>
Less: Loans redeemed and other capital receipts	<u>-231,379,701</u>	<u>-119,107,532</u>
<b>Net fixed assets</b>	<u>5,353,287</u>	<u>2,027,732</u>
(Refer to Appendix C and section 2 of the Treasurer's Report for more detail on fixed assets)		





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>6. Investments</b>		
Unlisted investments		
7.1 Long term deposits – collateral	26,062	24,506
	14,769,490	6,098,963
7.2 Short term deposits	14,747,496	6,076,969
7.3 Unlisted shares (21 994 shares @ R1 each)	21,994	21,994
	14,795,553	6,123,470
Management's valuation of unlisted investments	14,795,553	6,123,470
Average gross rate of return on investments	7.28%	6.84%

Circular no 25 issued by the Provincial Legislature requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investments at a penalty rate to meet commitments.

Investments written off during the year:

ABSA 20-6593-9652 R5,000,000  
 ABSA 20-6621-6752 R1,000,000  
 ABSA 20-6636-4838 R4,000,000  
 ABSA 20-6636-4848 R2,000,000  
 ABSA 40-6469-2380 R1,856,874  
 FNB 74131265007 R3,500,000  
 FNB 74133922407 R 500,000

## 7. Long term debtors

Motor and other loans	1,078,121	743,447
	1,078,121	743,447
Less: Short-term portion transferred to current debtors	221,952	256,736
	856,168	486,712



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>8. Inventory</b>		
Inventory	493,916	418,000
Less: Provision for obsolete stock	0	0
	<u>493,916</u>	<u>418,000</u>
<b>9. Debtors</b>		
Consumer debtors	56,496,478	43,307,954
Other debtors	617,439	594,748
Grant North West Province	16,212,313	
Sundry debtors	832,698	741,866
	<u>74,158,929</u>	<u>44,644,568</u>
Less: Provision for bad debts	-25,793,238	-24,344,845
Plus: Payments in advance from consumers	493,284	672,154
	<u>48,858,975</u>	<u>20,971,877</u>
Ageing of debtors		
Current	2,865,619	2,452,875
30 days plus	824,943	301,075
60 days plus	53,988,919	38,826,321
TOTAL	<u>57,679,481</u>	<u>41,580,270</u>

Bad debts written off during the year:

R473,417 (R35 530 927: 2006)

Days outstanding in debtors amount to 504 days (2006: 281)

Age analysis differs to the general ledger to the amount of R350 305 (R2 322 432: 2006).



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 10. Provisions

Leave provision

2006/2007 R	2005/2006 R
340,611	478,111
<u>340,611</u>	<u>478,111</u>

Refer to Accounting Policy for more detail

## 11. Creditors

Trade creditors	12,903,101	3,970,806
Suspense creditors	10,390,101	4,503,824
Other creditors	607,882	570,378
Deposits : other	6,294	5,222
Dbsa - bridging finance	16,650,000	
Amounts received in advance	493,284	672,154
	<u>41,050,662</u>	<u>9,722,384</u>

## 12. Assessment Rates

	Total Valuation on 2005/01/07	Actual Income 2006/2007	Actual Income 2005/2006
Residential and commercial - Land value	51,090,531		
Residential and commercial - Improvements	514,504,287	8,343,523	8,195,198
	<u>565,594,818</u>	<u>8,343,523</u>	<u>8,195,198</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 13. Councillors' Remuneration

	2006/2007 R	2005/2006 R
Mayor's allowance	256,460	169,674
Speaker's allowance	212,386	136,906
Councillor's allowance	1,142,609	413,000
Executive committee allowances	693,284	297,183
Travelling Allowance	950,693	254,191
Personal Allowance	3,936	44,636
Phone Allowance	161,781	132,952
Housing Allowance	126,851	157,110
Medical Aid	38,363	33,618
Pension Fund	198,420	106,953
	<u>3,784,784</u>	<u>1,746,223</u>

The mayor forms part of the Executive committee, but his allowance is disclosed separately. Councillor allowances (2007) are being disclosed in accordance to section 124(1)(a) of the MFMA.





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2006/2007

R

2005/2006

R

In accordance to section 124 of the Municipal Finance Management Act the following councillors were outstanding with the payment of consumer services at 30 June 2007

Arrangements were made for these accounts to be settled by June 2007

## Councillor Accounts

Clr MME Mogoye

Account

107008131

Amount

1,228

Settlement date

2007/11/30

1,228

## 14. Auditors' Remuneration

Audit fees

850,592

918,714

## 15. Finance transactions

Total external interest earned or paid

Interest earned

933,429

518,896

Interest paid

573,951

187,585

Capital charges debited to operating account

Interest: External

433,212

174,891

Interest: Internal

101,328

207,360

Redemption: External

382,061

176,114

Redemption: Internal

151,459

359,939

1,068,059

918,304



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 16. Appropriations

	2006/2007 R	2005/2006 R
<b>Appropriation account</b>		
Accumulated surplus at the beginning of the year	-5,827,700	13,138,240
Surplus (Deficit) for the year	6,078,593	7,522,973
Appropriations for the year	-9,478,202	-26,488,914
Current year adjustments	0	0
Prior year adjustments	-9,478,202	-26,488,914
Accumulated surplus: end of the year	-9,227,309	-5,827,700

## PRIOR YEAR ADJUSTMENTS

Previous year landrentals to LTF	-85,701	Incorrect allocation	7,732,726
Previous year income	-6,295,630	Grap conversion	822,707
Stale cheques written back	19,288	DBSA loan	6,140,830
Previous year expenditure	719,839	Incorrect levies	424,142

## Operating account

Fixed assets	4,543,828	99,752
Contributions to:	2,071,431	8,111,852
- Capital Development Fund	0	502,310
- Leave fund	149,621	100,000
- Bad debts	1,921,810	7,509,542
	6,615,259	8,211,604



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

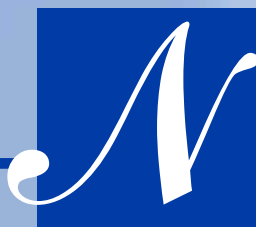
	2006/2007 R	2005/2006 R
<b>17. Cash generated by operations:</b>		
Surplus for the year	6,078,593	7,522,973
Adjustments in respect of previous years	-9,478,202	-26,488,914
Appropriations charged against income	4,615,169	8,211,604
Contributions to fixed assets	2,543,738	99,752
Contributions to capital development fund	0	502,310
Contribution to bad debt and working capital	1,921,810	7,509,542
Contribution to leave provision	149,621	100,000
Capital charges	1,068,060	918,304
Interest paid	534,540	382,251
Internal Funds	101,328	207,360
External loans	433,212	174,891
Redemption paid	533,520	536,053
Redemption: Internal	151,459	359,939
Redemption: External	382,061	176,114
Grants and subsidies received from the State		
Non operating expenditure/income	0	0
Funds and reserves	0	0
Non operating expenditure	-10,632,247	-12,667,940
	<u>-8,348,626</u>	<u>-22,503,971</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2006/2007 R	2005/2006 R
<b>18. (Increase)/Decrease in Working Capital</b>			
(Increase)/Decrease in debtors		-28,221,771	26,834,275
Increase/(Decrease) in creditors		31,328,278	0
(Increase)/Decrease in inventory		-75,916	8,325
Increase/(Decrease) in consumer deposits		1,157,216	91,892
		<u>-4,187,807</u>	<u>26,934,492</u>
<b>19. Increase/(Decrease) in Long-term Loans</b>			
<b>(External)</b>			
Loans raised		4,058,169	0
Loans repaid		382,061	-175,828
		<u>3,676,108</u>	<u>-175,828</u>
<i>Refer to Appendix B for more detail.</i>			
<b>20. (Increase)/Decrease in External Cash Investments</b>			
Investments made		-8,672,082	678,109
Investments realized		0	0
		<u>-8,672,082</u>	<u>678,109</u>
<b>21. (Increase)/Decrease in Cash on Hand</b>			
Bank balance: beginning of the year	18	9,404,447	-1,573,354
Less: Cash balance/(overdraft): end of the year	18	4,697,914	9,404,447
		<u>4,706,533</u>	<u>-10,977,801</u>





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 22. Retirement Benefits

Maquassi Hills Local Municipality and its employees contribute to various municipal pension funds and the councillors pension fund.

### Fund

Municipal Employees Pension Fund

Municipal Gratuity Fund

SALA Pension Fund

Joint Municipal Pension Fund

NFMW Retirement Fund

At time of the compilation of our statements the most recent information on their financial status was not yet available

## 23. Contingent liabilities

Court case with a debt collection company (Maccom Admin)

Court date set for 27 August 2008	5,300,000	5,300,000
	0	478,111

## 24. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for	64,871,843	66,686,712
Approved and not contracted for	5,100,000	10,016,656
	<u>69,971,843</u>	<u>76,703,368</u>

This expenditure will be financed from:

Internal sources	42,524,811	14,117,886
External sources:	27,447,032	62,585,482
Other sources	27,447,032	54,585,482
Provincial Government		8,000,000
Metropolitan council		0
	<u>69,971,843</u>	<u>76,703,368</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 25. Capital development fund

	2006/2007 R	2005/2006 R
<i>Outstanding advances to borrowing services</i>		
Accumulated fund	13,143,516	12,967,121
Less: External investments	12,386,560	12,077,249
(Refer to appendices A and B for more detail)	<u>756,956</u>	<u>889,872</u>

### 26. Land trust fund

<i>Outstanding advances to borrowing services</i>		
Accumulated fund	8,871,688	8,421,093
Less: External investments	8,803,848	8,334,710
(Refer to annexure A and B for more detail)	<u>67,840</u>	<u>86,384</u>

### 27. Biological assets

None	0	0
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### 28. Development Suspense Account

Balance	9,064,781	771,293
Other income	86,612	8,406,316
Operating Expenditure	5,261,985	109,827
Adjustments	2,735	3,000
	<u>3,886,673</u>	<u>9,064,781</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	R
<b>29. Salaries CEO and Snr. Managers</b>		
<b>Chief Executive Officer</b>	815,549	627,520
Salary	437,942	335,890
Bonus	113,064	0
Phone	20,534	16,868
Travel	119,630	127,723
Merit	0	47,129
Pension/Medical Aid/Uif	124,378	99,910
<b>Chief Financial Officer</b>	747,559	525,144
Salary	471,695	369,618
Bonus	99,232	0
Phone	13,184	4,776
Travel	108,013	108,009
Merit	0	41,457
Pension/Medical Aid/Uif	1,435	1,284
Project Management Unit	54,000	0
<b>Director: Administration</b>	689,691	525,144
Salary	416,462	314,908
Bonus	102,734	0
Phone	5,832	4,776
Travel	146,815	147,066
Merit	0	41,457
Pension/Medical Aid/Uif	17,848	16,937
<b>Director: Community Services</b>	656,731	512,120
Salary	373,003	292,556
Bonus	75,883	0
Phone	5,749	4,776
Travel	92,004	95,978
Merit	0	28,432
Pension/Medical Aid/Uif	110,092	90,377
<b>Personal Assistant</b>	188,531	224,762
Salary	114,883	129,757
Bonus	21,693	0
Phone	833	1,024
Travel	39,318	60,487
Merit	0	17,767
Pension/Medical Aid/Uif	11,805	15,728
<b>Director: Engineering Services</b>	735,519	525,144
Salary	413,657	313,348
Bonus	94,562	0
Phone	5,832	4,776
Travel	139,437	139,549
Merit	0	41,457
Pension/Medical Aid/Uif	28,031	26,014
Project Management Unit	54,000	0
	3,833,580	2,939,835

Performance bonuses for Section 57 employees were not paid in the 2006/2007 financial year.

A sundry creditor to the amount of R507 168 was raised



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 30. Bank account balances

	Closing Balance 2006/2007 R	Opening Balance 2005/2006 R
4055605473 ABSA - Primary Bank account	1,955,626	507,522
4058047800 ABSA - Cattle management account	28,234	0
406 545689 ABSA - TMT Savings Account	145,956	525,174
4050989969 ABSA - Traffic Savings Account	5,077,750	96,494
4064023765 ABSA - Project Savings Account (PMU)	67,158	3,807,610
4064584280 ABSA - Future Development Savings Account	25,938	8,233,810
2057750696 ABSA - Guarantee Account	360,000	360,000
9138622959 ABSA - Guarantee Account	37,565	34,691
2045602798 ABSA - Guarantee Account	12,600	12,600
2048670504 ABSA - Guarantee Account	2,400	2,400
4067021033 ABSA - Provincial Funding Investment Account	6,895,885	0
4052543232 ABSA - Led project Investment Account	440,263	443,714
4055686261 ABSA - Projects Investment Account	3,631,975	2,847,793
9126643503 ABSA - Old Town Development Investment Account	1,392,677	1,316,133
71093408436 FNB Insurance Investment Account	191,550	178,602
62022159538 FNB Projects Investment Account	1,140,351	652,320
	<u>21,405,928</u>	<u>19,018,863</u>

Disclosed according to section 125(2)(a) of the MFMA

## 31. Fruitless expenditure

Interest and penalties paid on late payments made to creditors	383,275	422,534
Balance 1 July 2006	422,534	553,785
Expenditure	50,741	121,328
Credits (Sedibeng Water)	0	62,579
Written off (Budgeted amount)	90,000	190,000

No disciplinary steps or criminal proceedings were done because the late payment of creditors was due to Council's precarious financial position.





## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>32. Donations received</b>		
Various (Mayoral Inauguration)	0	74,500
Anonymous Donation	3,500	0
Old Mutual (Sport)	2,400	0
Public Entity (Sport)	1,000	0
TMT (ANC Southern Region)	4,000	0
Sedibeng (ANC Southern Region)	20,000	0
	<u>30,900</u>	<u>74,500</u>
<b>33. Unauthorised expenditure</b>		
* Atlas Plastics (Dustbins and buckets)	0	316,870
* Erection of the New Office Building	0	556,467
* Over expenditure of Salaries	0	868,988
	<u>0</u>	<u>1,742,325</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>34. Additional disclosures in terms of the MFMA</b>		
<b>34.1 Pension Contributions</b>		
Employee contribution	1,519,841	1,218,933
Employer contribution	3,666,637	3,044,257
	<u>5,186,478</u>	<u>4,263,190</u>
Disclosed according to section 125(1)c of the MFMA		
<b>34.2 P.A.Y.E and U.I.F Contributions</b>		
Employee contribution	3,468,895	2,620,162
Employer contribution	193,682	162,965
	<u>3,662,577</u>	<u>2,783,127</u>
<b>35. Contributions to organised local government</b>		
Amount paid to SALGA	128,366	202,273
Amount outstanding	0	0
	<u>128,366</u>	<u>202,273</u>
Disclosed according to section 125(1)(b) of the MFMA		
<b>36. Money owed by Councillors</b>		
SS Nkatlo	61,940	61,940
TK Lehloo	14,373	0
ZE Mphafudi	40,945	40,945
J Seleke	38,648	38,648
DS Moshoele	3,373	7,654
Dr. IL Firth	-2,065	0
RI Tladi	14,373	10,699
TA Ngaleka	11,843	11,843
KJ Leseisane	14,066	14,066
HR Hlahasoane	11,843	11,843
DS Mokgatsi	11,843	11,843
C de Villiers	6,573	9,573
KA Modisadife	11,843	11,843
KJ Moyi	11,843	11,843
	<u>251,441</u>	<u>242,742</u>

Disclosed according to section 124 of the MFMA. Councillors owe this money to Council due to the incorrect implementation of the Government Gazette.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2006/2007 R	2005/2006 R
<b>37. Unspent Conditional Grants</b>		
<b>37.1 Conditional Grants from other spheres of Government</b>		
Social Services Grant	92,224	108,487
Finance Management Grant	305,343	21,251
Municipal Infrastructure Grant	949,762	741,969
Municipal Systems Infrastructure Grant	175,000	0
Disaster Grant		
	<u>1,522,329</u>	<u>871,707</u>

## **38. Government Grants and Subsidies**

MIG		11,070,768
Equitable Share	24,000,090	19,633,671
Provincial Health Subsidies	917,220	1,359,662
	<u>24,917,310</u>	<u>32,064,101</u>

Refer to Appendix D

### **38.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R215.11 (204.34 : 2006), which is funded from this grant

## **39. Bulk Purchases**

Electricity	7,533,953	6,486,163
Water	10,615,466	9,918,132
	<u>18,149,419</u>	<u>16,404,295</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### **40. Supply Chain Management**

The municipality has developed a Supply Chain Management Policy. Adopted by Council on 11 October 2005 to be implemented effective from 1 January 2006.

Disclosed in terms of section 111 of the MFMA.

### **41. Private Public Partnerships**

Council entered into a Private Public Partnership with TMT Services and Supplies on 28 June 2004

Disclosed in terms of section 120 of the MFMA

### **42. Events after Reporting Date**

None.